

GAO

United States General Accounting Office

Report to Congressional Committees

September 2001

# FINANCIAL AUDIT

## Independent and Special Counsel Expenditures for the Six Months Ended March 31, 2001

20011003 035



GAO

Accountability \* Integrity \* Reliability

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## Abbreviations

AOUSC	Administrative Office of the U.S. Courts
FBI	Federal Bureau of Investigation
OIC	Office of Independent Counsel
OSC	Office of Special Counsel



United States General Accounting Office  
Washington, D.C. 20548

September 28, 2001

Congressional Committees

Enclosed is our report on the statements of expenditures of six offices of independent counsel and one office of special counsel for the 6 months ended March 31, 2001. We are sending copies of this report to the Attorney General, the Director of the Administrative Office of the U.S. Courts, the independent counsels and special counsel included in our audit, and other interested parties. Copies will be made available to others upon request.

This report was prepared under the direction of Jeanette M. Franzel, Acting Director, Financial Management and Assurance, who can be reached at (202) 512-9406. If I can be of further assistance, please call me at (202) 512-2600.

Jeffrey C. Steinhoff  
Managing Director  
Financial Management and Assurance





United States General Accounting Office  
Washington, D.C. 20548

## Congressional Committees

This report presents the results of our audits of expenditures<sup>1</sup> reported by six offices of independent counsel and one office of special counsel for the 6 months ended March 31, 2001. The Department of Justice and the independent counsels are required under 28 U.S.C. 594 (d)(2), (h) and 596 (c)(1) (1994) to report on expenditures from a permanent, indefinite appropriation established within the Department of Justice to fund independent counsel activities. We are required under 28 U.S.C. 596 (c)(2) to audit the statements of expenditures prepared by the independent counsels. We also audited the statement of expenditures of Special Counsel John C. Danforth, who is authorized by the Department of Justice to fund his operations from the permanent, indefinite appropriation.

In our audits covering the 6 months ended March 31, 2001, we found

- the statements of expenditures presented in appendixes I through VII, for the offices of independent counsel David M. Barrett, Carol Elder Bruce, Ralph I. Lancaster, Daniel S. Pearson, Robert W. Ray, and Donald C. Smaltz, and special counsel John C. Danforth, respectively, are presented fairly in conformity with the basis of accounting described in note 1 of each counsel's statement, which is principally the cash basis, a comprehensive basis of accounting other than U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations; and
- no reportable noncompliance with laws and regulations we tested.

The following sections provide background information, outline each conclusion in more detail, and discuss the scope of our audits.

## Background

The Ethics in Government Act of 1978 amended title 28 of the United States Code to authorize the judicial appointment of independent counsels when the Attorney General determines that reasonable grounds exist to warrant further investigation of high-ranking government officials for certain alleged crimes. The independent counsel law (28 U.S.C. 591-599 (1994))

<sup>1</sup>The term expenditures as used in this report generally means cash disbursed.

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was intended to preserve and promote the accountability and integrity of public officials and of the institutions of the federal government. The independent counsel law expired on June 30, 1999. Provisions of the law allow the independent counsels serving at the expiration date to continue investigating pending matters until they determine that the investigations of such matters have been completed. Also, the Department of Justice determined that the appropriation established by Public Law 100-202 to fund expenditures by independent counsels appointed pursuant to 28 U.S.C. 591-599, or other law, is available to fund the expenditures of John C. Danforth, who was appointed as a Special Counsel within the Department of Justice by the Attorney General.

The independent counsel law directs the Department of Justice to pay all costs relating to the establishment and operation of independent counsel offices from the permanent, indefinite appropriation established to fund independent counsel activities. The independent counsel law also designates specific responsibilities to the Administrative Office of the U.S. Courts (AOUSC) for independent counsels' administrative support. The Department of Justice periodically disburses lump-sum payments to AOUSC for this purpose.

During any 6-month period, there may be other significant costs incurred in support of the work of the counsels, which are paid from appropriations other than the permanent, indefinite appropriation established to fund independent counsel activities. These costs arise when a counsel uses detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI). Independent counsels are not required to reflect such costs in their statements of expenditures and neither the independent counsels nor special counsel do so. However, to the extent practicable, the counsels identified and disclosed these costs in the notes to their statements presented in the appendixes to this report.

These statements and related notes do not include certain expenditures related to the investigation by independent counsel Arlin M. Adams/Larry D. Thompson's office, which was officially terminated by the Court effective June 3, 1999, and, accordingly, no longer prepares financial statements. However, \$10,484 in expenditures occurred during this period to fulfill all financial obligations, recycle furniture, and prepare administrative files for transfer to the archives.

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## Opinion on Statements of Expenditures

The statements of expenditures including the accompanying notes for the offices of independent counsel David M. Barrett, Carol Elder Bruce, Ralph I. Lancaster, Daniel S. Pearson, Robert W. Ray, and Donald C. Smaltz, and for the office of special counsel John C. Danforth, present fairly, in all material respects, the expenditures of these counsels for the 6 months ended March 31, 2001, on the basis of accounting described in note 1 to each office's statement.

The counsels prepared their statements of expenditures principally on a cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The bases of accounting are described in note 1 of each counsel's statement.

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## Consideration of Internal Control

In planning and performing our audits, we considered internal control over financial reporting and compliance.<sup>2</sup> We did this to determine our procedures for auditing the statements of expenditures, not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over financial reporting and compliance. However, for the controls we tested, we found no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance for the 6-month period ended March 31, 2001. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors, fraud, or noncompliance in amounts that would be material to the statements of expenditures may occur and not be detected promptly by employees in the normal course of performing their duties. Our internal control work would not necessarily disclose all material weaknesses.

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## Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

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<sup>2</sup>The objectives of internal control are to provide reasonable assurance that management objectives regarding financial reporting (including safeguarding assets) and compliance with laws and regulations are achieved.



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## Objectives, Scope, and Methodology

The independent counsels are responsible for preparing statements of expenditures in conformity with the bases of accounting described in the accompanying notes. Though not required to do so, the special counsel also elected to prepare a statement of expenditures. The counsels are also responsible for establishing, maintaining, and assessing internal control to provide reasonable assurance that the following internal control objectives are met and for complying with applicable laws and regulations.

- Financial reporting: Transactions are properly recorded, processed, and summarized to permit the preparation of the statements of expenditures in conformity with the basis of accounting described in the notes to their statements, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- Compliance with laws and regulations: Transactions are executed in accordance with laws and regulations that could have a direct and material effect on the counsels' statements of expenditures.

We are responsible for (1) obtaining reasonable assurance about whether the counsels' statements of expenditures are presented fairly, in all material respects, in conformity with the basis of accounting described in the notes accompanying their statements of expenditures, (2) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audits, and (3) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the statements.

In order to fulfill these responsibilities, for each counsel, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the statement of expenditures, except for items indicated as unaudited, (2) assessed the accounting principles used by management, (3) evaluated the overall presentation of the statement of expenditures, (4) obtained an understanding of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations, and (5) tested compliance with selected provisions of 28 U.S.C. 591-599 (1994), 5 U.S.C. Chapter 55, and regulations relating to pay administration.

We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error, fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become



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inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the offices of independent and special counsel. We limited our tests of compliance to those laws and regulations that we deemed applicable to the statements of expenditures. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We obtained, but did not audit, information on costs that were paid from sources other than the permanent, indefinite appropriation, as well as information on receipts. We obtained information on these costs and receipts from the independent and special counsel offices; the Department of Justice, including the FBI; the Department of the Treasury; and the U.S. Postal Service.

We performed our audits in accordance with U.S. generally accepted government auditing standards.

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## Agency Comments and Our Evaluation

We provided drafts of this report to the six offices of independent counsel, the office of the special counsel, the Department of Justice, and AOUSC for review and comment. Agency officials agreed with the facts and conclusions in our report.



Jeffrey C. Steinhoff  
Managing Director  
Financial Management and Assurance

September 7, 2001

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### **List of Committees**

The Honorable Robert C. Byrd  
Chairman

The Honorable Ted Stevens  
Ranking Minority Member  
Committee on Appropriations  
United States Senate

The Honorable Joseph I. Lieberman  
Chairman

The Honorable Fred Thompson  
Ranking Minority Member  
Committee on Governmental Affairs  
United States Senate

The Honorable Patrick J. Leahy  
Chairman

The Honorable Orrin G. Hatch  
Ranking Minority Member  
Committee on the Judiciary  
United States Senate

The Honorable C. W. Bill Young  
Chairman

The Honorable David R. Obey  
Ranking Minority Member  
Committee on Appropriations  
House of Representatives

The Honorable Dan Burton  
Chairman

The Honorable Henry A. Waxman  
Ranking Minority Member  
Committee on Government Reform  
House of Representatives

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The Honorable James F. Sensenbrenner  
Chairman  
The Honorable John Conyers, Jr.  
Ranking Minority Member  
Committee on the Judiciary  
House of Representatives

# Statement of Expenditures for Independent Counsel Barrett

DAVID M. BARRETT

Office of Independent Counsel

Statement of Expenditures  
(Cash basis)

Six Months Ended March 31, 2001

Personnel compensation and benefits	\$559,779
Travel (note 2)	35,113
Rent, communications, and utilities (note 3)	206,988
Contractual services (note 4)	147,641
Acquisition of capital assets	4,568
Supplies and materials	4,212
Administrative services (note 5)	<u>78,749</u>
<b>Total expenditures</b>	<b><u>\$1,037,050</u></b>

The accompanying notes are an integral part of this statement.

**DAVID M. BARRETT**

**Office of Independent Counsel**

**Notes to Statement of Expenditures**

**Note 1 - Accounting policies**

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-David M. Barrett (OIC-Barrett) for the 6 months ended March 31, 2001. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Barrett was appointed on May 24, 1995, to investigate certain allegations against the Secretary of Housing and Urban Development.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

**Note 2 - Travel**

Travel generally includes expenditures for investigation-related travel paid for OIC-Barrett personnel and witnesses.

**Note 3 - Rent, communications, and utilities**

Approximately \$161,000 in office rent is included in rent, communications, and utilities.

**Note 4 - Contractual services**

Contractual services primarily consist of expenditures for investigators, court reporters, and services of other experts in areas of interest to the investigation.

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**Appendix I**  
**Statement of Expenditures for Independent**  
**Counsel Barrett**

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**Note 5 - Administrative services**

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Barrett. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$52,180, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

# Statement of Expenditures for Independent Counsel Bruce

CAROL ELDER BRUCE

Office of Independent Counsel

Statement of Expenditures  
(Cash basis)

Six Months Ended March 31, 2001

Personnel compensation and benefits	\$92,133
Travel (note 2)	(339)
Rent, communications, and utilities (note 3)	60,237
Contractual services (note 4)	17,009
Acquisition of capital assets	3,724
Supplies and materials	676
Administrative services (note 5)	<u>17,865</u>
<b>Total expenditures</b>	<b><u>\$191,305</u></b>

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The accompanying notes are an integral part of this statement.



**CAROL ELDER BRUCE**

**Office of Independent Counsel**

**Notes to Statement of Expenditures**

**Note 1 - Accounting policies**

**Reporting entity:** The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Carol Elder Bruce (OIC-Bruce) for the 6 months ended March 31, 2001. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Ms. Bruce was appointed on March 19, 1998, to investigate whether the Secretary of the Interior may have violated federal criminal law in sworn testimony before a congressional committee. Ms. Bruce submitted her final report to the Special Division of the U.S. Court of Appeals for the District of Columbia Circuit on December 30, 1999. Ms. Bruce received the order to terminate her office from the U.S. Court of Appeals for the District of Columbia Circuit effective March 22, 2001.

**Basis of accounting:** The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

**Note 2 - Travel**

This balance consists of a refund for unused metro fare cards.

**Note 3 - Rent, communications, and utilities**

Approximately \$39,000 in office rent is included in rent, communications, and utilities.

**Note 4 - Contractual services**

Contractual services primarily consist of payments to experts in preparing independent counsel records for archiving.

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**Appendix II  
Statement of Expenditures for Independent  
Counsel Bruce**

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**Note 5 - Administrative services**

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Bruce. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$12,641, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

# Statement of Expenditures for Independent Counsel Lancaster

RALPH I. LANCASTER

Office of Independent Counsel

Statement of Expenditures  
(Cash basis)

Six Months Ended March 31, 2001

Personnel compensation and benefits	\$228,172
Travel (note 2)	5,836
Rent, communications, and utilities (note 3)	132,400
Contractual services (note 4)	29,295
Supplies and materials	1,247
Administrative services (note 5)	<u>34,482</u>
<b>Total expenditures</b>	<b><u>\$431,432</u></b>

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The accompanying notes are an integral part of this statement.

**RALPH I. LANCASTER**

**Office of Independent Counsel**

**Notes to Statement of Expenditures**

**Note 1 - Accounting policies**

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Ralph I. Lancaster (OIC-Lancaster) for the 6 months ended March 31, 2001. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC.

Mr. Lancaster was appointed on May 26, 1998, to investigate activities of the Secretary of Labor regarding a possible undisclosed financial interest in a company and the solicitation of illegal campaign contributions. Mr. Lancaster has submitted his final report (sealed) to the Special Division of the U.S. Court of Appeals for the District of Columbia. Mr. Lancaster received the order to terminate his office from the U.S. Court of Appeals for the District of Columbia effective July 11, 2001.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

**Note 2 - Travel**

Travel generally includes expenditures for investigation-related travel paid for OIC-Lancaster personnel.

**Note 3 - Rent, communications, and utilities**

Approximately \$118,000 in office rent is included in rent, communications, and utilities.

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**Appendix III  
Statement of Expenditures for Independent  
Counsel Lancaster**

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**Note 4 - Contractual services**

Contractual services represent expenditures for maintenance and repair of equipment and for services of experts and other specialists in areas of interest to the investigation.

**Note 5 - Administrative services**

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Lancaster. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$23,283, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

# Statement of Expenditures for Independent Counsel Pearson

DANIEL S. PEARSON

Office of Independent Counsel

Statement of Expenditures  
(Cash basis)

Six Months Ended March 31, 2001

Personnel compensation and benefits	\$21,021
Travel (note 2)	1,117
Rent, communications, and utilities (note 3)	27,227
Contractual services (note 4)	8,331
Supplies and materials	12
Administrative services (note 5)	<u>2,706</u>
<b>Total expenditures</b>	<b><u>\$60,414</u></b>

The accompanying notes are an integral part of this statement.

**DANIEL S. PEARSON**

**Office of Independent Counsel**

**Notes to Statement of Expenditures**

**Note 1 - Accounting policies**

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Daniel S. Pearson (OIC-Pearson) for the 6 months ended March 31, 2001. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Pearson was appointed on July 6, 1995, to investigate certain allegations against the Secretary of Commerce. On April 3, 1996, the Secretary was killed in a plane crash. Shortly thereafter, the independent counsel closed the investigation of the Secretary and transferred the investigation related to other parties to the Department of Justice. Expenditures during this period relate to efforts to archive the investigative records and to respond to issues related to the investigation.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

**Note 2 - Travel**

Travel generally includes expenditures for investigation-related travel paid for a detailee from the Department of Justice.

**Note 3 - Rent, communications, and utilities**

Approximately \$24,300 in office rent is included in rent, communications, and utilities.



**Note 4 - Contractual services**

Contractual services primarily consist of payments to experts in preparing independent counsel records for archiving.

**Note 5 - Administrative services**

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Pearson. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$1,373, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

# Statement of Expenditures for Independent Counsel Ray

ROBERT W. RAY

Office of Independent Counsel

Statement of Expenditures  
(Cash basis)

Six Months Ended March 31, 2001

Personnel compensation and benefits	\$1,929,069
Travel (note 2)	478,627
Rent, communications, and utilities (note 3)	489,762
Contractual services (note 4)	925,897
Acquisition of capital assets (note 5)	23,920
Supplies and materials (note 6)	51,490
Administrative services (note 7)	<u>215,182</u>
<b>Total expenditures</b>	<b><u>\$4,113,947</u></b>

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The accompanying notes are an integral part of this statement.

**ROBERT W. RAY**

**Office of Independent Counsel**

**Notes to Statement of Expenditures**

**Note 1 - Accounting policies**

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Robert W. Ray (OIC-Ray) for the 6 months ended March 31, 2001. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC.

Kenneth W. Starr (OIC-Starr) was appointed on August 5, 1994, to assume the investigation of possible violations of federal criminal law in Re: Madison Guaranty Savings and Loan Association and other entities, which was begun by regulatory Independent Counsel Robert B. Fiske, Jr. The U.S. Court of Appeals subsequently expanded OIC-Starr's jurisdiction to include selected White House Travel Office and access-to-personnel-file issues on March 22, 1996, and June 21, 1996, respectively. On October 25, 1996, it further expanded OIC-Starr's jurisdiction to include issues related to statements made before the Government Reform and Oversight Committee, U.S. House of Representatives, on June 26, 1996. On January 16, 1998, the Court expanded OIC-Starr's jurisdiction to include issues related to whether, in a civil case, certain individuals suborned perjury, obstructed justice, intimidated witnesses, or otherwise violated federal law in dealing with witnesses, potential witnesses, attorneys, or others.

On October 18, 1999, Mr. Starr resigned his appointment, and was succeeded by Robert W. Ray as independent counsel effective the same date. On March 16, 2000, Mr. Ray submitted to the Special Division of the U.S. Court of Appeals for the District of Columbia Circuit two final reports on (1) the access-to-personnel-files issues and (2) the issues related to statements made before the Government Reform and Oversight Committee. On July 28, 2000, the Court ordered the public release of the two reports. Further, on June 22, 2000, Mr. Ray submitted to the Court a final report on the White House travel matter. On October 18, 2000, the Court ordered the public release of that report. On January 19, 2001, Mr. Ray announced the conclusion of all current matters before the office of independent counsel.

On August 21, 2001, the Special Division of the U.S. Court of Appeals for the District of Columbia Circuit, at the request of the independent counsel, ordered the termination of the investigative functions of the independent counsel as of September 30, 2001, except to the extent necessary to conclude any remaining noninvestigative and nonprosecutorial tasks required by statute.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

**Note 2 - Travel**

Travel generally includes expenditures for investigation-related travel paid for OIC-Ray personnel, detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI), contractors, and witnesses.

**Note 3 - Rent, communications, and utilities**

Approximately \$372,000 in office rent is included in rent, communications, and utilities.

**Note 4 - Contractual services**

Contractual services primarily consist of expenditures for computer support and maintenance and investigators and other specialists in areas of interest to the investigation.

**Note 5 - Acquisition of capital assets**

The capital assets expenditures are primarily for automated data processing equipment. These assets will remain the property of the federal government at the conclusion of the investigation.

**Note 6 - Supplies and materials**

The supplies and materials expenditures are primarily for office supplies used in the archiving of records.

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Appendix V  
Statement of Expenditures for Independent  
Counsel Ray

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**Note 7 - Administrative services**

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Ray. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$101,884, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

**Note 8 - Other costs (unaudited)**

Certain costs relating to employees assigned to work with the OIC by the FBI and the Department of Justice were financed through funds appropriated to these agencies and, accordingly, are not included in the statement of expenditures. These agencies were not reimbursed for these costs. The schedule below shows the estimated costs (unaudited) of the assistance provided to the OIC during the 6-month period, based on information provided by officials of these agencies.

	Costs (unaudited)
FBI	\$206,297
Other Justice	<u>1,374</u>
	<u>\$207,671</u>

# Statement of Expenditures for Independent Counsel Smaltz

DONALD C. SMALTZ

Office of Independent Counsel

Statement of Expenditures  
(Cash basis)

Six Months Ended March 31, 2001

Personnel compensation and benefits	\$325,478
Travel (note 2)	25,502
Rent, communications, and utilities (note 3)	83,682
Contractual services (note 4)	122,572
Acquisition of capital assets	5,572
Supplies and materials	5,161
Administrative services (note 5)	<u>41,526</u>
<b>Total expenditures</b>	<b><u>\$609,493</u></b>

The accompanying notes are an integral part of this statement.

**DONALD C. SMALTZ**

**Office of Independent Counsel**

**Notes to Statement of Expenditures**

**Note 1 - Accounting policies**

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Donald C. Smaltz (OIC-Smaltz) for the 6 months ended March 31, 2001. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Smaltz was appointed on September 9, 1994, to investigate activities of a former Secretary of Agriculture. Mr. Smaltz submitted his final report to the Special Division of the U.S. Court of Appeals for the District of Columbia Circuit on January 30, 2001.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

**Note 2 - Travel**

Travel generally includes expenditures for travel paid for OIC-Smaltz personnel.

**Note 3 - Rent, communications, and utilities**

Approximately \$59,600 in office rent is included in rent, communications, and utilities.

**Note 4 - Contractual services**

Contractual services primarily consist of expenditures for services of experts and other specialists in areas of interest to the investigation.



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**Appendix VI**  
**Statement of Expenditures for Independent**  
**Counsel Smaltz**

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**Note 5 - Administrative services**

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Smaltz. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$22,829, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

**Note 6 - Receipts (unaudited)**

As of March 31, 2001, OIC-Smaltz's convictions and referrals have resulted in the imposition of \$11,803,082 in criminal fines, civil penalties, damages, and reimbursement of costs. Approximately \$10,905,536 of that amount has been received and deposited into the U.S. Treasury.

# Statement of Expenditures for Special Counsel Danforth

JOHN C. DANFORTH

Office of Special Counsel

Statement of Expenditures  
(Cash basis)

Six Months Ended March 31, 2001

Personnel compensation and benefits	\$774,128
Travel (note 2)	27,178
Rent, communications, and utilities (note 3)	710,608
Contractual services (note 4)	552,834
Acquisition of capital assets	852
Supplies and materials	21,602
Administrative services (note 5)	<u>3,114</u>
<b>Total expenditures</b>	<b><u>\$2,090,316</u></b>

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The accompanying notes are an integral part of this statement.

**JOHN C. DANFORTH**

**Office of Special Counsel**

**Notes to Statement of Expenditures**

**Note 1 - Accounting policies**

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Special Counsel-John C. Danforth (OSC-Danforth) for the 6 months ended March 31, 2001. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for OSC-Danforth that are processed through the Department of Justice. On September 9, 1999, the Attorney General appointed John C. Danforth as a Special Counsel to investigate the government conduct relative to events at the Branch Davidian complex near Waco, Texas, on April 19, 1993. Mr. Danforth submitted his final report to the Deputy Attorney General concerning the 1993 confrontation at the Branch Davidian complex on November 8, 2000. Mr. Danforth officially closed his office in March 2001.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by the Department of Justice. Personnel compensation and benefits are recorded at the end of the pay period when earned.

**Note 2 - Travel**

Travel generally includes expenditures for investigation-related travel for OSC-Danforth personnel and detailees from other components of the Department of Justice.

**Note 3 - Rent, communications, and utilities**

Approximately \$240,000 in office rent is included in rent, communications, and utilities. This category also includes rental charges for office furniture.

**Note 4 - Contractual services**

Contractual services consist primarily of expenditures for litigation support, automated legal research, contract guard services, and other specialists in areas of interest to the investigation.

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Appendix VII  
Statement of Expenditures for Special  
Counsel Danforth

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**Note 5 - Administrative services**

Administrative services represent Department of Justice expenditures for performing administrative and payroll functions for OSC-Danforth.

**Note 6 - Other costs (unaudited)**

Certain costs relating to employees assigned to work with OSC-Danforth by the U.S. Postal Service and the Department of Justice were financed through funds appropriated to these agencies and, accordingly, are not included in the statement of expenditures. These agencies were not reimbursed for these costs. The schedule below shows the estimated costs (unaudited) of the assistance provided to the OSC-Danforth during the 6-month period, based on information provided by officials of these agencies.

	Costs (unaudited)
Postal Service	\$158,340
Justice	<u>3,963</u>
	<u>\$162,303</u>

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